

Senate-passed compromise best for Medicaid over short and long term

By Haley Barbour
Governor

Let's get straight to the point: Medicaid has a current \$90 million shortfall, but what the program really needs is a fair, permanent, sustainable funding solution for the long term.

And while we're on the subject, let's correct a myth perpetuated by some who just ignore the facts: The truth is Medicaid doesn't have a spending problem; the total cost of the program has actually decreased 5 percent in the last four fiscal years. Total expenditures were less in FY 07 than when my first term began in FY 04.

Medicaid's budget problems stem not from overspending but from the disqualification of \$90 million in state matching funds back in 2005, and the fact no permanent, sustainable method has been enacted by the Legislature to replace those state dollars.

In 2005 federal Medicaid officials disallowed part of Mississippi's method of paying the state share of Medicaid matching funds. For 15 years, public hospitals in Mississippi were required to pay an intergovernmental transfer (IGT) to Medicaid to cover the state's share of payments to hospitals that serve a disproportionate share of poor patients, so-called DSH payments.

Early in the Fordice Administration, the Mississippi Hospital Association had designed this IGT to pay for DSH, and the Legislature passed it at MHA's request. This process allowed the state to draw down much more federal Medicaid money, as the feds pay about \$76 in Medicaid payments for every \$24 the State puts up.

In 2001 MHA asked the Legislature to establish a gross revenue assessment (GRA), another tax on hospitals to help the state Medicaid program draw down more money from a new federal program called upper payment limit (UPL), which provides an additional payment to help cover hospital costs. The Legislature passed this new hospital tax that same year.

Two months after the federal government disallowed our methodology, Hurricane Katrina struck, and a temporary measure was agreed to for that

fiscal year using emergency federal health care funds given to Mississippi in the wake of the worst natural disaster in American history.

In both the 2007 and 2008 Regular Sessions I proposed an increase in the gross revenue assessment to make up the shortfall and put Medicaid funding on a stable foundation. The Legislature didn't pass it or any other solution, so I called lawmakers into a Special Session to eliminate the shortfall permanently.

Now the Legislature is about to reconvene, and there's only one fair, permanent, sustainable solution on the table.

SB 2013 is a compromise developed by the Mississippi Hospital Association, the Division of Medicaid and the Governor's Office, and passed on an overwhelming, bipartisan 41-to-7 vote of the state Senate. It fills the immediate \$90 million funding gap, provides stable funding for years to come, and maintains the fiscal integrity of the Medicaid program in a way that is fair to hospitals and other providers, beneficiaries and taxpayers.

It is a reformed version of the hospital reimbursement method that had been in place for years, which was also developed by the Mississippi Hospital Association and implemented at its request.

Under the SB 2013 compromise, the estimated \$200 million paid in by the hospitals would result in about \$1.25 billion in reimbursements and distributions to the hospitals, with the highest portions going to hospitals that treat the most Medicaid patients. It provides \$6 in reimbursements and distributions for every \$1 paid in by the hospitals.

Raising the cigarette tax is not in the call for this Special Session and neither the House nor the Senate has passed a cigarette tax as a solution to this problem. The House has tried twice and failed.

The only plan passed by the House simply takes one-time money from the state's Rainy Day Fund, or general revenues, and gives hospitals a big tax break on the backs of Mississippi's taxpayers. Plus, it fails to resolve the underlying issue of long-term stability, and just puts off a decision until next year. It's not fair to put Medicaid providers and beneficiaries, or Mississippi taxpayers through the wringer again when a real solution is available now.

Without SB 2013, state law forces the Governor to make significant Medicaid budget cuts. No Medicaid recipient will be taken off the rolls, but deep cuts will be made, affecting local jobs, local tax revenues, and the quality of health care in Mississippi. But, I will obey the law.

Good government often demands tough decisions. While perfection in the legislative process is an impossibly high standard, SB 2013 is the right policy at the right time. It is a fair, sustainable compromise that provides a permanent solution for Medicaid funding.

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